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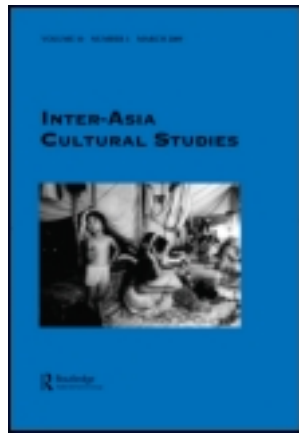
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Chinese entrepreneurs in poor countries: a transnational 'middleman minority' and its futures

Pál NYÍRI

In the early 1990s, I started doing ethnographic research among Chinese migrants in Hungary, a project that lasted until 2004 and included brief periods of research in Russia, Yugoslavia, and Romania. These migrants were, and are, entrepreneurs who left China after 1989. Unlike other, earlier strands of Chinese migration, which either targeted traditional migration destinations (North America, Western Europe, Southeast Asia) and were largely based on family sponsorship, or rich countries where Chinese went as students (the US, Australia, Japan), these new entrepreneurial migrants went to countries with no recent tradition of Chinese immigration, but where there was high demand for low-cost consumer goods produced by China and a lax regulatory environment. What enabled this migration was the 1986 Law on Exit and Entry Management, which liberalized the issuance of passports, especially so-called service passports, which could be issued to any state employee travelling on business. What propelled it was the situation of the Chinese economy in the late 1980s, when inflation combined with an overproduction glut and state 'work units' attempted to trim their workforce by encouraging employees to go into business ('plunge into the sea') while retaining some of their workplace benefits (such as housing, health care, and pensions). Between 1989 and 1992, a recession and fears of a rollback of economic reforms were additional reasons for fledgling businesspeople to want to leave the country.

It was precisely during this period that entrepreneurial migration, before 1989

largely limited to shuttle trade across the Soviet border, took on a mass scale and became more permanent. The scale of the migration was due in part to a historical coincidence. It was exactly during these four years of economic and political anxiety in China that the collapse of state socialist regimes in Eastern Europe created economic and political conditions for Chinese immigration: a brief window of liberal immigration policies (which in Hungary's case went as far as lifting the visa requirement for Chinese citizens); the emergence of poorly regulated free markets; and demand for cheap consumer goods that domestic manufacturers were unable to satisfy. In addition, rail tickets to Eastern Europe were cheap. Stories about the fortunes made by early migrants gave rise to an 'Eastern Europe fever' that lasted until the mid-1990s. By that time, sustained rapid growth of the Chinese economy made staying at home more attractive for fledgling entrepreneurs, while growing competition, declining real incomes, increasing bureaucratic hurdles and less favourable exchange rates decreased the appeal of Eastern Europe. Nonetheless, due in part to the establishment of 'migration chains' of relatives, friends, and fellow villagers, in which early migrants played the role of facilitators and from which some of them profited financially, migration continued, expanding beyond the early destinations (principally Russia and Hungary) to the rest of Eastern Europe. To date, while there are no reliable data, researchers have estimated the number of Chinese residing in Russia to be between 200,000 and 400,000, and in Eastern

Europe, excluding Russia, between 50,000 and 70,000 (Nyíri 2007a). Entrepreneurial migration also began to other parts of the world that were undergoing similar economic transitions from closed, authoritarian systems to open economies, including Cambodia and some South and Central American states, but these other destinations were not as popular as Eastern Europe as they offered lower returns, and Chinese migration to them attracted little attention (see Nyíri and Saveliev 2002).

The sociodemographic profile, business model, and ethnopolitical identity of the new entrepreneurs showed certain shared characteristics that were distinct from the largely catering-based Chinese migrant entrepreneurs in Western Europe, North America, and Australia, and the small-scale manufacturing economy of Chinese migrants in Southern Europe, Mauritius, and the Mariana Islands, which also developed in the 1990s. Surveys of these new migrants showed that, on average, they were more highly educated than their predecessors (typically at the upper secondary, and sometimes the tertiary level), having largely left behind skilled jobs. Some had tried their hand at small-scale private entrepreneurship in China, but most had been state employees. Initially, most came from the large urban centres and the north-eastern region closest to the Russian border but, as time passed, migrants from rural regions in Zhejiang Province, with traditional migratory connections to Western Europe, and Fujian Province established migration chains that gradually increased their share of the population. From the shuttle trade of the early years – which involved selling goods brought from China in a market or on a street and then returning to China for the next consignment – the migrants rapidly progressed to a structure that is defined by a network of larger and smaller ‘Chinese markets’. These markets function as regional, national, or local clearinghouses for consumer goods (principally clothing, shoes, toys, household textiles, and electrical appliances) and other merchandise (such as hardware) imported by Chinese

merchants and sold to Chinese distributors, Chinese and local shopkeepers, and end consumers. From these markets, the merchandise travels to ‘Chinese shops’, which in some countries (such as Hungary) have emerged as the principal consumer goods retail outlets in villages and poor urban neighbourhoods, or to shops run by locals or other migrant entrepreneurs (such as Vietnamese in the Czech Republic). Although authorities in some countries (such as Russia) have tried to force Chinese merchants out of the markets, while in others (such as Hungary) higher-end commercial centres have opened to accommodate more upmarket Chinese stores, the markets remain the mainstay of the Chinese commercial networks. The share of Chinese businesses in the consumer goods sector is considerable: according to a survey, the ‘Chinese markets’ alone accounted for 39 percent of clothing retail sales in Hungary in 2001. Equally significant is the dependence of rural populations in parts of Eastern Europe on the network of ‘Chinese shops’ for their daily consumer goods needs (Nyíri 2007b).

This partial transformation of the Chinese into ‘essential outsiders’, a term applied by Chirot and Reid (1997) to Chinese in Southeast Asian and Jews in Central European history, did not fail to produce hostility. According to an annual representative survey, 70 to 80 percent of Hungarians are opposed to Chinese immigration, and in 2006, a group of Russian students firebombed Moscow’s largest ‘Chinese market’. The symbolic role of the threatening outsider played by the Chinese in the nationalist politics of some Eastern European countries is similarly reminiscent of historical anti-Semitism and ‘yellow peril’ discourses. Thus, in 2006, Hungary’s main opposition party (now the ruling party) made opposing Chinese immigration an election campaign issue, even though the share of Chinese in Hungary’s population barely exceeds 15,000, or 0.15 percent.

Chinese (as well Indian, Syrian, Greek, and other) merchants in various colonial and imperial economies have been said to

occupy the position of 'middleman minorities': groups that functioned as economic and political intermediaries between the rulers and the populace but were regarded as outsiders by both. The term 'middleman minority' was popular in American sociology in the 1980s, but fell out of favour with the rise of literature on diaspora and transnationalism in the 1990s.

I found that the position of Chinese migrants in Eastern Europe showed some remarkable similarities to that of the colonial 'middleman minorities', particularly as described by Edna Bonacich (1973). The latter's economic strategy relied on the flexible mobilization of cross-border ethnic networks in order to obtain labour, capital, and business information, which enabled them to provide goods and services otherwise unavailable, or available only at a higher price, to both colonial rulers and subjects. This strategy was made possible by the kind of pioneer spirit and acceptance of hardship that drove the Chinese peddler to African and Siberian villages and by a capitalism whose transnational organization preceded that of the mainstream global economy – both features frequently celebrated in overseas Chinese literature. At the same time, this strategy was also one imposed onto migrants by the hostility they faced in their societies of residence, which blocked other, accepted paths of upward mobility. In order to remain competitive, they had to keep costs down. Therefore, and because of their legal vulnerability to expulsion, they were inclined to take on economic roles or methods seen as deviant (such as usury). This led to an increased identification of the entire group with a particular business and the cementing of a view of it as an economic – as well as a moral and a sanitary – threat. While middlemen merchants strove to cultivate good relations with village populations as well as native and colonial elites and were often recognized as useful, they were always seen as alien.

Of course, contemporary Chinese networks in Eastern Europe display a number of important differences from their

colonial predecessors. They do not collect taxes on behalf of the rulers; they do not collect primary products or provide credit, functions Chinese still maintain in some colonies and ex-colonies (such as French Polynesia and Sarawak; see, for example, Trémon 2009; Yao 2002); they do not distribute opium; and their trade networks do not connect to those of the colonial rulers, who until late in the colonial days had a monopoly on foreign trade. Instead, contemporary Chinese migrant entrepreneurs have been heavily dependent on China in ways their predecessors were not.

Colonial 'middlemen minorities' marshaled trade between the colonies and the metropolises and made use of China largely as a source of labour. For contemporary migrants, China is a source of labour, merchandise, and capital. In the early 1990s, when foreign trade was still largely conducted by state enterprises that received incentives for creating overseas markets, the most successful Chinese businesses in Eastern Europe were those that benefited from easy credit from their suppliers in China. In many cases, they were themselves former or even current employees of these state enterprises or had other privileged connections to them. They were thus not private entrepreneurs in the strict sense, but part and parcel of the mixed economy that is characteristic of the post-1978 People's Republic of China (PRC) and was particularly emblematic of the 1990s. Such arrangements were largely discontinued by the late 1990s, when Prime Minister Zhu Rongji took measures to limit the losses state enterprises had sustained by extending bad credit overseas, but migrants continued to search for sources of credit in China in both the form of private investments and bank loans, the latter still largely connected to official backing. Increasingly, they also tried to become middlemen of another kind, inserting themselves as brokers between Chinese and local elites, offering to match Chinese capital (including concessional loans and grants classified as state-to-state aid) with local political patronage in deals ranging from mining to telecommunication technology

contracts, or promising Eastern European or African exporters access to the Chinese market via privileged political connections.

Seeking the patronage of local political elites in exchange for protection against xenophobic attacks and the vulnerability created by legal discrimination was typical of colonial 'middleman minorities' and persisted in some postcolonial states such as Indonesia under Soeharto. The pattern that Donald Nonini, in his work on Indonesia, calls 'predatory clientelism' (2004) has been perhaps best portrayed in Graham Greene's 1940 novel, *Heart of Darkness*, in which the actions of the Syrian merchant who corrupts the 'clean' chief of police, Scobie, in a British colony in West Africa have no alternative because colonial officialdom as well as locals *expect* Syrian merchants to be corrupt a priori, and have no room for those who attempt to conduct their business in an 'honest' fashion. The strategies of today's Chinese migrant entrepreneurs, who wine and dine Hungarian customs officials (or Cambodian police officers) and treat them to expenses-paid trips to China, are similarly both consequence and cause of local expectations that they should be corrupt and cunning. But the rise of China as a coveted market and the increase of its clout as a world power have made the power dynamics of such patronage networks more complex. '[M]arketing the privileged space between command and competitive economies' (Jensen 2007: 308) – a strategy whose usefulness is magnified by the mutual exaggeration of the Other's cultural and political inscrutability – enables these migrants to become conduits of China's globalization and engenders a very intense kind of transnationalism, characterized by a continuous insertion in China's economic, and in the case of large businesses, political networks and a high degree of mobility between the country (or countries) of residence and China. The appearance of Chinese organizations closely connected to China's embassies and provincial or county authorities in the native place was related to this fact and resulted in the export to Eastern Europe of a genre of celebrations and a discourse of

politics and nationhood specific to the late PRC.

In a nutshell, this is what I found in Eastern Europe and described in my books. For a while, it appeared to be a place- and time-specific pattern borne out of a coincidence between China's economic and political climate in the early 1990s, the abrupt transition from planned to market economy in Eastern Europe, and a brief window of liberal immigration policies. Indeed, in the 2000s, this migration abated. Yet as information began trickling in on Chinese entrepreneurs in Africa and other 'developing countries' as a result of a sudden interest in China's role in the Southern Hemisphere since the mid-2000s, the Eastern European pattern appeared to be replicated around the globe. Networks of Chinese importers and shopkeepers were reported to have sprung up in places as diverse as Argentina, Cape Verde, and Papua New Guinea. In some countries, like Suriname and Belize, I observed them myself.

Although these destinations were not experiencing the same dramatic political transformation as Eastern Europe at the turn of the 1990s, many of them were undergoing a shift from more or less planned to more free-market based economies and had large low-income populations, and some were emerging from violent conflicts, offering a combination of opportunity and need for the same kind of products and strategies that had already been successful in Eastern Europe. (In some cases, the opportunity was of a different nature: thus, in Argentina, the expansion of Chinese stores appears to have coincided with the financial meltdown in the late 1990s, which triggered the bankruptcy of many local businesses and impoverished a large segment of society.) Thus it makes sense that the business model, range of goods, and mode of insertion into the local economy employed by new Chinese businesses were very similar to those observed in Eastern Europe, and may well have been directly or indirectly inspired by experiences of Chinese migrants to Eastern Europe. (As early as the second half of the 1990s, some Chinese businessmen in Hungary set up contacts with

Chinese in Africa and South America to dispose of unsold stock, taking advantage of the complementarity of the seasons between the two hemispheres and making use of kinship and native-place connections, particularly among migrants from Fujian.) The appearance of these networks has elicited both praise for supplying a large number of Africans with consumer goods – including ones as simple as shoes – that had until now been unaffordable (e.g. Østbø Haugen and Carling 2005) and hostility, including the full list of accusations known from Eastern Europe: unfair competition, smuggling, inferior quality, illegal immigration, ruining local industries, taking local jobs, and simply ‘invading’ foreign countries by virtue of sheer numbers, if not already then surely in the immediate future. Even more than in Eastern Europe, Chinese shopkeepers have also been subjected to physical hostility in a number of African and Pacific countries.¹

To interpret these similar experiences, it is essential to note another shared characteristic of new destination countries in which Chinese entrepreneurial migrants found themselves. Not only do the economic environments of these states display certain common structural features, they also share a lack of concern for integrating immigrants into their labour markets, political systems, or formal social structures, a feature that sets them apart from richer European, North American, Asian, and Australasian destination countries. Unlike in these richer countries, the migrants, for their part, see little benefit in seeking jobs, education, or welfare locally. Instead, they seek to send their children to universities in countries like Canada, Australia, or the US, in the hope that they will land jobs with multinational corporations. Some aim to acquire immigrant status in one of those countries themselves in order to have access to their health care systems and vaguely plan to enjoy their natural environments and multicultural societies after they retire.

So far, there are very few studies of this new Chinese entrepreneurial outside Eastern Europe: only Østbø Haugen and Carling (2005) and Dobler (e.g. 2008) have published

detailed studies of them in Africa, while information on Southeast Asia (Laos, Cambodia, Burma, and Thailand), South and Central America, the Middle East, Central Asia and the Pacific is anecdotal and limited to journalistic accounts, Internet posts, and highly unreliable estimates of numbers. This anecdotal evidence, however, seems to underscore yet another characteristic known from studies of Eastern Europe: the extremely high mobility and transnational connectedness of some of these migrant entrepreneurs. Indeed, one of my informants has opened businesses in Romania and Morocco while maintaining a home in Hungary, and now shuttles among these three. Another set up branches of his footwear imports company in South America with the help of relatives who had migrated there. A third has moved from France to Hungary, then to Cameroon, and currently lives in Uganda. Discussions on Chinese-language online forums such as www.chineseinafrica.com and <http://africawindows.com> testify to a very high mobility of entrepreneurs across African countries. An entrepreneur I talked to in Cambodia told me of his plan to move to North Korea as soon as the market there opens up. All of this suggests the emergence of a global entrepreneurial, linked by multi-functional business networks, high mobility and dense flows of capital, goods and information, while retaining a marginal social status within local societies. At the same time, in countries adjacent to China, such as Laos, Burma, or the Central Asian countries, entrepreneurial migration may be characterized by a much more local pattern that is essentially an extension of business migrations within China. Thus, traders I talked to in Northern Laos tended to either come across the border from Yunnan or have moved there first from Hunan or Sichuan.

The future of this new transnational middleman minority is hard to predict. In Eastern Europe, the earliest migrants are beginning to retire, but the life-choices of their children, which will influence the retirement plans of the parents, are as yet unclear. Some have fulfilled their parents’ hopes and found

jobs in North America; others have moved to China; and a few have stayed in the countries of their childhood. But research I conducted in Laos and Cambodia in 2008 suggests that the clientelistic strategy pursued by migrant entrepreneurs is already leading to discernibly different modalities of social insertion in those countries that purport to enforce 'modern' norms of governance, such as Hungary, and in those where rent-seeking is an entrenched and institutionalized element of the political economy, such as Cambodia. Thus, despite 15 to 18 years of cultivating figures of minor authority and achieving modest success in their businesses, my informants in Hungary have few local friends, speak little Hungarian, do not follow local politics, and though their resident status has been obtained legally, they have little hope or desire to acquire Hungarian citizenship, a procedure that requires a language and civic test. In the terminology of the European Union, which Hungary as a member state is required to subscribe to even though it remains irrelevant to its government as well as its public discourse, they are 'not integrated'. By contrast, a businesswoman who migrated from China to Cambodia at about the same time as her peers settled in Hungary, told me that she obtained an identity card and a passport soon after having moved there for \$230, and has since developed widespread networks of personal and political connections among Phnom Penh's Cambodian and Western elites even as she maintains close connections with the Chinese embassy and other new migrants. These networks serve economic ends, but they have social and emotional significance. As she told me:

My mother-in-law wants me to move to her house in France and let my son go to school there. ... But where else would I have the lifestyle I have here? Could I have a villa or a fruit orchard of my own in France? Could I go out dancing with my friend the Khmer princess?

The fact that this woman holds three passports – Chinese, Cambodian, and French – is illegal, as Chinese law does not allow dual citizenship, yet rather than compromising

her status in any of these three elites, it actually facilitates it. Another entrepreneur, who moved from Hong Kong to Cambodia in the mid-1990s, has a Cambodian diplomatic passport as the vice-premier's advisor and is the head of Cambodia's Olympic Committee, while simultaneously being a member of a provincial People's Political Consultative Conference in China. His official privileges in both China and Cambodia have enabled him to negotiate a major loan for a Cambodian irrigation project from China's Export-Import Bank, much of which will be undertaken by his company. Clientelist relations formed by less privileged Chinese migrants at lower levels of Cambodia's power structures nonetheless also permit them some forms of recognition and create webs of local social embeddedness, which are absent in countries like Hungary.

As mentioned earlier, new Chinese migrant entrepreneurs are often blamed for entrenching, or even creating, a culture of rent-seeking or indeed a criminalization of the economy (see Nyíri [2007a] on Eastern Europe; Mengin [2007] on Cambodia; Alden *et al.* [2008] and Guerrero and Manji [2008] on Africa; and Tjon Sie Fat [2009] on Suriname). This perception is one of the reasons for local populations' antagonism towards the migrants. Yet it appears that, in Cambodia, where rent-seeking corporatism is a more or less openly accepted principle of the way society operates (see Bayart *et al.* 2004), it enables the relatively smooth incorporation of migrant entrepreneurs. Although at present the division between Cambodia's local-born ethnic Chinese (the Sino-Khmer) and new migrants from China is quite clear and not without tension, this form of incorporation in fact appears quite similar to that which enabled the integration of Chinese entrepreneurs throughout the 19th and early 20th centuries into both Cambodian (and Thai) elites and rural society, eventually creating distinct Sino-Khmer (and Sino-Thai) identities. This type of incorporation is not available in polities that formally insist on liberal democratic norms of 'good governance' and, more fundamentally, on the equal, undifferentiated, and

individual political membership of all citizens along with the exclusion of non-citizens from such membership. While the former set of norms is a recent development and is ideologically contested, the latter is essential to the concept of modern statehood since at least the early 20th century. In polities that follow these norms, any recognition of immigrants who have not proved themselves 'deserving' in the light of public and bureaucratic scrutiny must remain hidden. The more actual practices involving migrants are said to deviate from the policy ideals of 'good governance', i.e. the more allegations of incompetence, corruption, and clientelism circulate concerning the immigration, customs, and trade bureaucracies, the more compelled governments of such states are to compensate these and demonstrate their good standing as 'mature' nation-states by periodic crackdowns, such as sudden restrictions of visa or customs procedures or highly publicized raids on markets, which disadvantage migrant entrepreneurs but may be followed by quiet adjustments of the patronage networks and/or by equally sudden relaxation of the policy (see Nyíri [2007b] for Hungary; Tjon Sie Fat [2009] for Suriname). Although the effects of such measures in terms of their declared aims (such as rooting out the informal economy) are often limited, they do have the effect of making the acceptance of 'undeserving' migrant entrepreneurs socially impossible, thus blocking their access to social (though not economic) capital. Even though they are ostensibly designed to ascertain the loyalty and degree of 'integration' of society's new members, they actually impede the development of informal social and emotional attachment. This is particularly significant in cases such as Hungary's, where avenues for the recognition of migrants do not exist outside strategies of assimilation.

The situation is similar to the contrasting histories of Chinese entrepreneurs in the settler societies of much of Central and South America (which, like the states of Eastern Europe today, were on the periphery of the Western nation-state system)

versus those in the Southeast Asian colonies in the early 20th century. As McKeown (2008: 327) writes about the former,

International pressure, lack of domestic resources, and the inability to mediate between demands for sovereign regulation and liberal intercourse often caused weaker nations to swing wildly from periods of harsh and absolute exclusion to periods of massive immigration through smuggling, special privileges, and poorly enforced laws.

During the same period, in the colonies and protectorates of Southeast Asia (as well as Africa), the indirect governance of migrants through headmen such as the 'Kapitan China', compulsory membership in native-place institutions such as the French *congrégation* system, and customary law persisted (although here too it was under pressure as the colonial authorities tasked themselves with building modern nation-states for their subjects), and migrant entrepreneur elites retained a chance of being incorporated into local court elites through the granting of honorary titles. These 'segregated communal societies,' as Prasenjit Duara (2009: 166) writes, 'while typically hierarchical within, are formed of networks, supports and alliances that provide for ... channels of upward mobility'. Although the modalities of incorporation – the formation of 'hybrid' Sino-Khmer, Sino-Thai, and Chinese-Filipino groups, the solidification of ethnic borders in Malaysia and the continued predatory clientelism of Indonesia – varied widely, these entrepreneuriat proved more resilient and more 'rooted' in their chosen countries over the years than those on the western periphery, which by today have largely disappeared through migration to North America, Australia, and Western Europe.

Unlike in Hungary, where the state insists on direct and formal (though of course not actual) undifferentiated control of all foreigners on its territory, Chinese associations in Cambodia and Laos are once again being informally asked to exercise certain control functions over recent Chinese migrants, particularly when there

is a perception that conflicts (of a criminal or economic nature) are rising or simply that 'things are getting out of hand'. Such informal requests can come from either Cambodian/Lao or Chinese officials, and the associations, much as they were in the first half of the 20th century, are perceived by both sides as vehicles of mediation. In Laos, as elsewhere, the Chinese embassy initiated the establishment of a Lao-Chinese Chamber of Commerce in 2005 to unite managers of larger migrant-owned businesses. According to its president, the embassy would like the association to help 'manage' small-scale Chinese migrant traders who mostly do not have business permits in Laos and are the subject of some concern within the Lao government so that they 'do not damage China's reputation'. In Cambodia, the French *congrégation* system was essentially revived during the last years of the Cambodian People's Party's (CPP) party-state regime, when the party's leadership tasked the Sino-Khmer business elite with helping rebuild the economy. Since the CPP returned to power shortly after the UN intervention, the elaborate patronage networks that link government officials to Sino-Khmer entrepreneurs via this system of native-place based associations have become stronger. These are now supplemented by a Chinese Chamber of Commerce and other associations that are expected to act as go-betweens for new migrant entrepreneurs and the Chinese embassy as well as the government and to 'sort out problems'. Although associations for Chinese and local citizens are in principle separate, in reality Chinese entrepreneurs, regardless of their citizenship, are expected by both governments to exercise the function of transnational brokers. This tacit sharing of sovereignty, another manifestation of which is the emergence of Chinese-run concessions – such as the Golden Boten and Golden Lotus Flower casinos in Northern Laos – erodes the boundaries of citizenship and allows the absorption of newly arrived entrepreneurs through dense patronage networks.

Twenty years ago, Chinese entrepreneurial migration to Eastern Europe seemed like a temporary phenomenon generated by a particular historical moment in both regions with a very specific configuration of social, political, and economic factors. Today, this phenomenon is global in scope, with significant similarities across the group of migrants involved and equally significant differences in their incorporation into various societies. As such, it allows us an unusual comparative view of state practices of 'integration' and sheds perhaps unexpected light on changing practices of sovereignty.

Note

1. See Guerrero and Manji (2008) or Alden *et al.* (2008) for recent overviews of attitudes to Chinese migrants in Africa. As of the time of writing, the most recent example of violence against 'new Chinese' shopkeepers was reported in May in Papua New Guinea. It was large-scale enough to result in the killing of six looters by police. See AAP (2009).

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Special terms

damage to China's reputation 给中国丢脸
 Eastern Europe fever 东欧热
 service passports 应公护照
 plunge into the sea 下海

Author's biography

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